

**Intergovernmental Water Board
Meeting Minutes
January 10, 2007
Tigard Water Building
8777 SW Burnham Street
Tigard, Oregon**

Members Present: Gretchen Buehner, Patrick Carroll, George Rhine, Bill Scheiderich, and Dick Winn

Members Absent: None

Staff Present: Public Works Director Dennis Koellermeier
IWB Recorder Greer Gaston

1. Call to Order, Roll Call and Introductions

The meeting was called to order at 5:33 p.m.

2. Public Comments: None

3. Approval of Minutes –December 13, 2006

Commissioner Winn motioned to approve the December 13, 2006, minutes; Commissioner Carroll seconded the motion. Commissioner Buehner abstained from the vote since she had not attended the meeting. The motion was approved by a majority vote of 4-0-1, with four yes votes and one abstention.

Note: Item 5 was heard before item 4.

4. Water Building/Asset Discussion Continued

Commissioner Scheiderich pointed out the memo from Clark Balfour on the Canterbury property which was before each of the Commissioners.

Mr. Koellermeier provided background on three real property issues the Board has discussed over the past year. Mr. Koellermeier noted each of the three properties has a unique set of circumstances. The three properties and their status are as follows:

▪ **Clute property**

- Both the Board and the Tigard City Council have declared the property as surplus.
- Despite various attempts, the property did not sell on the open market.

- Since the property didn't sell, the City of Tigard decided to consider constructing a park on the site.
 - If the City were to proceed with the park, the property would be transferred from a water asset to a park asset.
 - The Clute property was purchased before 1994 and is considered a system asset.
 - The property has been partitioned and appraised.
 - Process to Dispose:
 - The next step to dispose of the property would be for the Board to come up with a selling price to present to the Tigard City Council.
 - The City Council could either purchase the property or put the property back on the open market.
- **Canterbury property**
- A large portion of the Canterbury property is surplus to the operation of the water system.
 - The City of Tigard is proposing the surplus portion of the property be converted to an other asset and be transferred to the City; Tigard would like to construct a park on the surplus portion of the site.
 - The City of Tigard would like to have issue resolved by July in order to construct the park in the next fiscal year.
 - The property was a Tigard Water District (TWD) asset before the 1993 IGA was created.
 - The property has never been partitioned.
 - It was Attorney Balfour's opinion that the IWB was the decision-making body with regard to the disposition of the surplus property.
 - Packet information from a consulting engineer says there was no need for the surplus property as it relates to the reservoir.
 - Mr. Koellermeier proposed an easement be granted in the event an ASR well is ever contemplated.
 - Process to Dispose:
 - IWB needs to declare the property surplus and authorize the minor partition application process.
 - Once completed, the TWD would deed the surplus property to the City of Tigard.

Commissioner Rhine said the TWD had heard from many constituents during the recent incorporation attempt of Bull Mountain. These constituents were not in favor of the property being transferred. He indicated the TWD needed to have further discussion regarding the transfer of the Canterbury property.

Mr. Koellermeier said he and the Chairperson of the TWD had discussed the possible transfer and both are seeking a positive outcome for all parties involved.

▪ **Water building**

- The City of Tigard is planning to remodel and upgrade the water building and replace the building's HVAC systems; a \$600,000 investment in the water building.
- It is messy for the City to make such an investment when the building has such a complicated ownership structure.
- Some of Tigard's Public Works staff must be relocated because their existing work place will be demolished as part of an upcoming road project. Following the water building remodel, Public Works staff could be housed in this facility.
- When the City of Tigard took over the operational aspects of the water system, the City's finance operation moved into the water building.
- A portion of the building is still used by the water and sanitary sewer divisions.
- Since 1994, about one-third of the water building has been directly used for water-related functions.
- The water building was completely omitted in the asset allocation and description in the 1994 IGA. At that time, the building was used solely for the operation of the water system and it is reasonable to assume the building would have been considered a system asset. As such, transfer would follow a process similar to that proposed for the Canterbury property and outlined in the IGA.
- IWB partners' value in the building only exists if they were to withdraw from the group. The formula related to such a withdrawal is what could be used to identify the value of each partner's assets.
- Process to Dispose:
 - Establish the value of the land, which does not depreciate.
 - Calculate the value of the building based on the depreciation schedule.
 - Mr. Koellermeier suggested part of the disposal transaction could guarantee the City would provide work space for water-related functions as long as the existing IWB relationship continues. In other words, IWB rate payers would not be asked to fund the construction of another facility to house water-related functions at some future time.
 - The City of Tigard would pay minority owners for their share of the building/property based on ownership percentages as outlined in the IGA.
 - Minority owners would give the City clear title to the building/property.

In response to an inquiry from Commissioner Scheiderich, Mr. Koellermeier confirmed:

- Four to five water billing staff are housed in City Hall.
- The plan is to house twelve or thirteen additional water division staff in the remodeled water building.
- Equipment is stored at the water building and at the Canterbury site.
- Operational and maintenance costs are calculated through an allocation formula and are shared among building users by way of interfund transfers.
- Depreciation costs are not included in this allocation formula.

Commissioner Scheiderich directed the discussion to IWB members' disposition of their interest in the water building.

Mr. Koellermeier noted, as part of Tigard's planning process, the water building was expected to remain in public use. Commissioner Buehner added the City Center Advisory Committee and the Tigard City Council have incorporated the water building into the downtown plan.

Commissioner Scheiderich inquired whether the Board's preferred disposition would be to sell the building to Tigard or to dispose of the facility by some other means. If sold to Tigard, some agreement regarding the housing of the water-related functions/staff would need to be reached. If the members agree to liquidate the water building and Tigard pays the assessed value, then space issues for the water function will need to be addressed.

Mr. Koellermeier stated the current plan is all water functions, except billing, to be housed in water building.

Commissioner Carroll asked about the ramifications of the water building being intentionally omitted from the IGA. Mr. Koellermeier clarified, per the IGA, the TWD pledged all assets. However, the report that deals with the assets and liabilities is silent regarding the water building.

Commissioners Scheiderich and Winn stated the building was a system asset. Mr. Koellermeier added the building had been used as though it was a system asset. Commissioner Scheiderich said viewing the building as a system asset gives each IWB member a share.

Commissioner Carroll expressed a preference to come to an equitable monetary agreement with the City of Tigard and maintain the building as a system asset of the water district. Commissioner Scheiderich asked if that meant charging the City of Tigard rent and then crediting that money back to the water system. Commissioner Carroll suggested the transaction be monetarily neutral and the only issue would be ownership. He suggested Tigard could sign a ten-year lease

and the Board could consider issuing credits for the City's financial investment in the building.

Commissioner Winn suggested the asset be transferred to the City of Tigard.

Commissioner Buehner said the agreement was deficient and the asset issue needed to be resolved. Regarding the disposition of the water building, she said each IWB member's interest should be determined and a method developed to credit them or buy them out. Commissioner Buehner said she supported a transfer.

Commissioner Rhine said he did not object to an equitable transfer. He asked if such a transaction would affect water rates. Mr. Koellermeier responded rates do not have a depreciation reserve. Therefore, the transfer would have no impact on rates unless another water facility was constructed. To address this issue, Mr. Koellermeier again proposed some sort of guarantee be incorporated into an agreement stipulating King City, Durham and TWD rate payers would not be asked to fund the construction of another water facility.

Commissioner Scheiderich proposed the IWB could also transfer a percentage interest in the water building, exempting whatever percentage of the facility was needed to operate the water division.

Commissioner Scheiderich suggested the each Board member discuss the property transfer matter with their respective cities/TWD prior to the next IWB meeting.

Commissioner Winn requested a brief written description of options. Commissioner Scheiderich indicated staff could prepare the description and would he edit the document.

In response to a question from Commissioner Carroll, Mr. Koellermeier said almost all public works staff would be relocated to the water building following the building remodel.

Commissioner Carroll suggested it may be in the best interest of water customers to use the water building as a potential revenue source to affect water rates.

Commissioner Scheiderich asked if the water building, or a portion of the water building, was sold or rented, what did the Board want to do with the money. He suggested some options might be putting the money in a capital improvement fund, providing a rate rebate, or sending a check to IWB members.

Commissioner Carroll said his preference would be to keep the money for water-related needs. He noted the cost of future capital improvements and the need to

build reserves. He reiterated his desire that assets be used for water-related needs which benefit all rate payers. Commissioner Scheiderich said this could also be a discussion item when this matter was considered by the member cities and the TWD.

Commissioner Buehner said she would seek a formal opinion from the Tigard City Council, but added the Council was concerned about the impending cost of capital improvements. Any money should go into a communal fund dedicated to the long-term water source.

Commissioner Rhine concurred. He added there was some inequity in buying out minority owners. The money would go into the general funds of King City and Durham and the checking account of the TWD. The TWD has no way to spend that money.

Commissioner Carroll asserted the agreement should be rewritten to say that any asset, irrelevant of when or how it came into the system, is an asset of the system's rate payers. He went on to say parks, roads, and green spaces were not the Board's concern and he didn't think such discussions should take place. He said the Board's focus should be to represent the rate payers of the water system. Commissioner Carroll stressed the real issue was whether the City of Tigard was willing to pay the fair market value for property and use property proceeds to benefit rate payers.

Commissioner Buehner added the Board's decision should take into account the possibility of a water system expansion.

Commissioner Scheiderich explained that whether through a property sale or rental, money would be generated and the Board needed to discuss how this money would be dealt with.

Commissioner Winn said the rate payers are the Tigard water department. The rates paid reflect the health of the water organization. Commissioner Scheiderich confirmed Commissioner Winn supported putting any proceeds into a communal water fund.

The dissolution of assets formula in the IGA was discussed. The formula is based on a combination of assessed value and the number of water customers. Commissioner Carroll noted the formula becomes a moot point if all the money goes into a capital expenditure fund.

Commissioner Scheiderich summarized the consensus was to place the money in a capital fund.

Mr. Koellermeier recapped the options:

- Outright sale of the entire water building.

- Sale of a portion of the water building while reserving some fractional part of the building for water-related uses.

Mr. Koellermeier asked if the Board's intent was to create a new agreement that would function as a water-asset only operation and offer a level of equality across all users. He noted this would be a very different from the existing IGA.

Commissioner Carroll responded that he was not suggesting Board representation change. The Board has always given each member one vote, despite the fact that some members represent more water customers than others. He questioned whether this arrangement would continue with a new agreement.

Commissioner Carroll added it was important to view the matter as a water delivery system. Water customers are essentially the same and pay the same rates, no matter what city they live in. He stated, in the past, the entire water system was considered when making decisions and this is how the system operated until the property disposition issues arose.

Commissioner Rhine commented the transactions involved disposing of a surplus water asset and putting the proceeds towards another water system asset. He said this was simply improving the asset base.

Commissioner Carroll agreed, but declared that Tigard wanted the Canterbury at no cost. This offers no benefit to the rate payers.

Commissioner Carroll added he had no issue disposing of the water building if there was a better use for the money and provided there is a financial benefit to the rate payers.

Note: Item 4 was heard after item 5.

5. Update on Cach Creek Area Annexation

Mr. Koellermeier reported the petitioners have withdrawn their challenge and the annexation will stand.

6. Informational Items

Mr. Koellermeier pointed out a Survey for Asbestos report regarding the Clute property and advised asbestos and lead mitigation issues will add some costs to building disposal. Options for disposing of the house include: deconstruction, a process whereby the building is basically recycled, demolition, or "Learn to Burn" with the fire department. Learn to Burn appears to be the least expensive option.

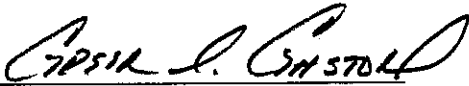
7. Non-Agenda Items:

Commissioner Winn indicated Nancy Duthie is no longer the King City alternate to the IWB. He noted King City needs to choose another alternate.

8. ***Next Meeting – Wednesday, February 14, 2007, 5:30 p.m.,
Tigard Public Library, 2nd Floor Conference Room***

9. ***Adjournment:***

At 6:32 p.m. Commissioner Rhine motioned to adjourn the meeting;
Commissioner Winn seconded the motion. Commissioner Scheiderich
adjourned the meeting.


Greer A. Gaston, IWB Recorder

Date: February 14, 2007